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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 3 November 5, 1983

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST NINE MONTHS OF 1983

Product	Jan.-Sept. 83	% Jan.-Sept. '82 over Jan-Sept. 1983
Electricity (bil.kw.hrs)	1033.0	104.0
Petroleum (inc. gas condensate (mil. tons)	463	102.0
Natural gas (bil.cu.mtrs)	393	107.0
Coal (mil.tns)	538	99.8
Steel (mil.tns)	114	103.0
Fertilizer (mil.tons)	22.2	109.0
Metal-cutting tools (mil. rubles)	1648.0	105.0
Robots(units)	7.9	206.0
Computer technology(bil.rub)	2.4	113.0
Tractors(1000s)	36.8	103.0
Paper(mil. tons)	4.2	104.0
Cement (mil. tons)	95.7	104.0
Meat(mil.tons)	7.3	109.0
Margerine (1000 tons)	1.1	103.0
Watches (mils.)	52.3	99.2
Radios (mils)	6.9	105.0
Television sets(mils)	6.4	103.0
Automobiles (1000s)	986.0	101.0

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST NINE MONTHS OF 1983

The most striking thing about the 9 month production figures is that oil porduction rose 4 % in September 1983 compared to September 1982. For the nine months as a whole, production is up 2%, but that reflects the fact that earlier in the year production had stagnated. Certainly output for September must have been very encouraging for the Soviet authorities, and suggests that the Soviet Oil Ministry will have no trouble meeting its target.

Equally encouraging are the figures for electricity production. Production for both September 1983 and for the 9 months as a whole is up 4% compared to the 3% increase reported in our last reporting period, which was for the 8 months of 1983.

The steel figures are not so encouraging. Steel production for the month of September increased somewhat less than 1%. For the 9 months as a whole, steel production is up 3% but that reflects earlier strength. Similarly, meat production was up about 6% for Sept. 1983 although for the 9 months as a whole it was up 9%. As a look at the accompanying table indicates, overall production seems to be continuing at a relatively robust rate for the recent years in the Soviet Union. There is some marginal change but overall it certainly is considerably better than it was last year at this time.

Long-term debt woes face Eastern Europe

By Marshall I. Goldman

COMMENTARY

During the recent meetings of the International Monetary Fund, the world's bankers devoted most of their attention to whether the Latin American countries such as Argentina, Brazil and Mexico could pay their debts. Since the debts of these three countries alone approximate $200 billion, there is plenty to worry about. Not that we need more to worry about these days, but the situation in Eastern Europe in some ways is even more serious.

We have not heard as much about Eastern Europe's economic problems these days because Poland has been relatively calm, and more important, recently released figures about Eastern Europe's convertible currency show an impressive reduction in each of the East European countries in 1982 from what it had been in 1981. For Eastern Europe as a whole (exclusive of the Soviet Union) the total net debt fell from $60 billion in 1981 to $56 billion in 1982. That is still a hefty sum, especially now that we know the Soviet Union is no longer standing over the bloc with a protective economic umbrella.

Soviets have their own troubles

The Soviet Union had provided some help, to Poland, for example. But given that Poland's debt reached about $25 billion in 1981 and that the Soviet Union had its own convertible currency problems, there was only a limited amount of help the Soviet Union could and did provide. But whatever the reason, the Soviet Union's help to Poland proved to be more modest than anticipated. Instead of an umbrella, it offered more of a leaky rain hat. Poland barely escaped bankruptcy.

With such modest Soviet support, it was impressive that the East Europeans were able to reduce their indebtedness at a time when most of the rest of the Third World was falling further and further behind. Yet in the long run, many of the Third World countries, particularly those in Latin America, may actually have a better chance of solving their economic problems.

If all else fails, most of the Latin American and Third World countries have a raw material or agricultural base they can fall back on to generate exports. In contrast, the East Europeans have very little in the way of raw materials to export.

Poland, if it ever resolves its labor tensions, may have some surplus coal it can sell to the hard-currency Western world, but that is about all. Hungary has a modest agricultural surplus, but after the Soviet Union takes what it wants, there is little left over for export to the West. That leaves the East Europeans with only manufactured products and services to sell. Tourism does bring in some money, but industrial exports offer the least promise of all. And that is where the problem is.

In the past, the East Europeans were able to win some customers for their textiles and chemicals because of their low prices. But now even low prices are often not enough inducement. The East Europeans find that more and more of their traditional products do not measure up to the quality or down to the prices of the countries of Southeast Asia and even Latin America.

No success in high technology

Equally serious, they have had almost no success in the area of high technology. Countries such as South Korea and Taiwan are producing products that are by far more sophisticated than those produced in Eastern Europe. Nor is there much evidence that the East Europeans will master the new high technology any time soon. Even Hungary and East Germany, the most industrially advanced of the lot, have made little progress in the high technology field. Their focus remains primarily on heavy industry – the way of the past, not the future.

The gains that came during 1982 therefore, reflect more a tightening of the belt (a reduction in imports) rather than any meaningful increase in exports. But the belt can only be tightened so far, particularly when the Soviets announce that because of their problems, they are reducing their petroleum exports to Eastern Europe 10 percent.

Since the East Europeans (except for Romania) depend on the Soviet Union for almost all of their petroleum, this will cause serious convertible currency strains for those who find it necessary to make up the difference in the spot market. Because the Russian hard-currency balance of trade for the first half of 1983 has also begun to deteriorate, the likelihood is that the Soviets will continue to divert petroleum from Eastern Europe to the convertible currency sales in the West.

With growing import needs, diminishing export opportunities and little likelihood of any major technological breakthrough, it is hard to see how the East Europeans could earn their way in the non-communist world markets. This should necessitate even more belt-tightening that, if not alleviated, may result in political indigestion as well.

Marshall I. Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard University.

THE BALANCE OF TRADE FOR THE FIRST HALF OF 1983

The trade figures for the first half of 1983 are very interesting. The first thing to note is that the overall trade deficit dropped by a small amount from the comparable period of 1982. However, that masks the fact that there were significant changes within that overall hard currency trade balance. The first thing to notice is that exports from the Soviet Union in the first half of 1983 dropped by 100 million rubles. In part that is due to the drop in petroleum prices but it also appears to reflect the fact that there may have been a drop in overall petroleum exports. That seems to be reinforced by a look at import figures published by the OECD. Yet looking at the Soviet figures, there does seem to be some indication that some countries may have increased their energy imports to the Soviet Union, especially Italy and the Netherlands. Perhaps the biggest change is the fact that the Soviets reduced their exports to Germany by over 400 million rubles. Undoubtedly that represents a cut-back in energy exports.

Thus, while overall exports from the Soviet Union in the first half of 1983 were lower than they were for the comparable period of 1982, the Soviet imports from Western Europe and Japan rose by over 700 million rubles. The jump is particularly notable in imports from Germany. However they were also up by about 200 million rubles from Italy. Exports from Japan fell by about 300 million rubles but nonetheless overall Soviet imports from the non-grain producing countries rose by about 700 million rubles. That however was offset by the fact that their grain imports fell sharply in the first half of 1983. Thus, imports from Argentina, Australia, and New Zealand were down. The most notable drop in imports was reflected in imports from the United States, which were about half of what they had been in the preceeding period.

Thus, the Soviets retained basically the same balance of trade deficit but they did that by cutting back sharply on their grain imports which more than offset the fact that they had increased their non-grain imports from Western Europe and Japan.

FEBRUARY CORPORATE SPONSOR SEMINAR ON AGRO-BUSINESS PROSPECTS IN THE U.S.S.R.

Included with this Newsletter is the application form and preliminary version of the program for our Feb. 6th Agrobusiness conference. It will be held at the Harvard Faculty Club as usual. In addition to the people mentioned in the previous program, invitations have been extended to several foreign authorities, including some in Eastern Europe. When we have something confirmed, we will provide the complete information.

ARDEN HOUSE CONFERENCE WILL BE HELD MARCH 23 to MARCH 25th

As mentioned earlier, the date for the Arden House conference is set for March 23-25. Additional information will be provided by the end of the year.

CURRENCY FIGURES

Rubles purchased per 100	Oct. 1982	Sept. 1983	Oct. 1983
Austrian shilling	4.19	4.06	4.16
U.K. pound	126.50	114.87	114.27
W. German mark	29.48	28.53	29.22
U.S. dollar	73.70	76.65	76.00
French franc	10.42	9.48	9.57
Japanese yen	.277	.314	.327
Italian lira	.051	.0478	.0482
Swiss franc	34.55	35.08	36.19

CURRENCY EXCHANGE FIGURES cont'...

The currency exchange rates released by Gosplan for October 1983 reveal that with the exception of the Japanese yen and the Swiss franc, all other currencies shown here have decreased since October 1982. The West German mark, Italian lira and French franc have shown improvement during the last month.

The Russian Research Center held its first Corporate Sponsor seminar of the academic year on Monday, October 17th. The conference, entitled The Soviet Invasion of Afghanistan; The Consequences for Afghanistan and the Soviet Union, presented an international collection of speakers, including Keith Bush of Radio Liberty in Munich, Dr. Sayd Majrooh, Director of Afghan Information Service in Peshawar, Pakistan, Edward Giradet of the Paris Christian Science Monitor, and Charles Dunbar, former charge d'affaires in the U.S. Embassy in Kabul and currently American Ambassador to Qatar. The panel, in its entirety, offered a range of interpretations representing the government and academic communities, as well as private organizations.

The morning panelists considered the Military Situation and the Impact on Afghanistan. Reports, given by Bush, Majrooh, Giradet, Ralph Magnus of the Department of National Security Affairs and Alex Alexiev of the Rand Corporation, focused on the economic/civilian impact of the war for both countries, and on the structure and weaknessess of the two armies. The first afternoon session, entitled The Internal Situation, featured Eden Naby (Harvard affiliate), Louis Dupree of Princeton, Charles Dunbar and Dr. Claude Malurec. This session provided a sociological and anecdotal description of the cultural and religious factors which are of significance in the four year-old war. The highlight of this session, and perhaps of the conference itself, was the eloquent and enlightened speech by Dr. Claude Malurec, Director of Medecins sans Frontieres (Doctors Without Frontiers) concerning the conditions in the Afghan villages. Since their arrival in 1980, the doctors have witnessed the atrocities of the war, and the innovative tenacity of the Afghan people which has enabled them to maintain in the face of enormous odds.

The final afternoon session featured thoughtful discussion of the International Implications of the Afghanistan war. Theodore Eliot, the former Ambassador to Kabul, now Dean of the Fletcher School of Law, Selig Harrison of the Carnegie Endowment for Peace, Zalmay Khalilzad of the Institute of War and Peace Studies, and Thomas Hammond, Professor of History at the University of Virginia, provided various strategies and advice about the war. Although there was some disagreement, especially as concerns the growing disruption caused by Afghani refugees living in Pakistan (and the precarious situation this engenders), the majority of the conference speakers agreed upon the following issues: the freedom fighting guerillas should be given more effective and increased aid;, the United States should continue its support of Pakistan and keep it from becoming destabilized or further jeopardized; and long-term U.S. policy should be to make it necessary for the Soviet Union to increase its occupation in Afghanistan to the point where the costs of maintaining troops outweighs the benefits of occupation. Although no consensus was attempted or reached by this conference, it was generally agreed that the United States and the rest of the world has a larger stake in this war than is generally recognized, and apathy towards what is happening there is potentially damaging on an international scale.

Jean Monahan

COMPUTERS AND COMPUTER SCIENCE IN THE SOVIET UNION -- 2 day seminar presentation by the "Soviet Science and Technology: Eyewitness Accounts" series (MIT and Harvard co-sponsored.) November 18 & 19. Contact Mark Kuchment, Russian Research Center, or Paul Josephson.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly assoc. with the article in question or unless otherwise stated with those of the editor, Marshall I. Goldman.

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BALANCE OF TRADE - 1ST HALF 1980 AND 1981

(Million Rubles)

	Exports From USSR				Imports to USSR			
	1980	1981	1982	1983	1980	1981	1982	1983
Austria	280	392	346	271	160	258	251	380
Belgium	401	249	530	501	176	268	329	305
Great Britain	320	349	416	502	516	631	354	369
Greece	187	350	275	173	44	71	78	93
Denmark	122	74	199	157	39	151	42	42
Spain	104	156	77	148	67	323	101	148
Italy	893	1066	1362	1446	429	498	592	793
Netherlands	567	430	715	895	178	334	217	314
Norway	27	28	37	30	39	58	34	53
Germany	1076	1207	2059	1614	1603	1586	1525	1893
France	930	1082	1168	1140	937	922	727	973
Switzerland	173	90	181	257	205	291	224	211
Sweden	142	93	159	293	132	207	207	145
Japan	471	407	390	388	907	1168	1532	1237
Subtotal:	5693	5973	7914	7815	5432	6733	6213	6956
Sub-Balance of Trade:					+261	-760	+1701	+859
Argentina	20	23	15	15	590	1060	840	798
U.S.A.	87	57	76	132	764	892	1672	878
Canada	15	28	14	19	321	489	554	651
Australia	3	8	6	3	441	381	411	278
New Zealand	1	2	3	1	115	96	166	108
Brazil	12	5	90	6	139	384	275	281
Total:	5831	6096	8118	7991	7802	10035	10131	9950
Balance of Trade:					-1971	-3939	-2013	-1959